SPEECH

OF

ROBERT S. TODD, OF FAYETTE,

IN THE HOUSE OF REPRESENTATIVES OF KENTUCKY,

TUESDAY, FEBRUARY 14, 1843.

IN OPPOSITION TO THE PASSAGE OF

THE BILL TO ESTABLISH THE SAFETY FUND BANK.

FRANKFORT, KY.
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1843.

CORRESPONDENCE.

House of Representatives,
February 14*th*, 1843.

Dear Sir: The undersigned have listened with great pleasure and instruction to the speech delivered by you on to-day, in this House, on the bill to establish "a Safety Fund Bank." From the high opinion entertained by the people of the State of your sound, practical, good sense, and from your experience in banking operations, we believe that your remarks will be read with equal interest and benefit by our constituents. We therefore respectfully solicit a copy of your remarks for publication. Be pleased to accept the assurance of the individual regard of your friends, very truly,

JAMES F. BUCKNER,
J. C. WILKINS,
A. J. BALLARD,
J. W. IRWIN,
AYLETT BUCKNER.

Robert S. Todd, Esq.

House of Representatives,
February 14*th*, 1843.

Gentlemen: I am in possession of your kind letter, soliciting for publication a copy of my speech delivered, on the question of the passage of the bill "to establish a Safety Fund Bank," on this day, in the House of Representatives.

In compliance with your wishes—communicated in a manner so flattering to my humble effort to arrest the passage of a measure, as I conceive so disastrous to the industry, credit and business of the State—I herewith inclose the same to be used as you see proper.

Permit me to return to each of you, my sincere acknowledgments for the kind and friendly sentiments in which this request is made, and to tender you a reciprocation of friendship and esteem.

Very sincerely, your friend,

R. S. TODD.

To Messrs. James F. Buckner,
J. C. Wilkins,
A. J. Ballard,
J. W. Irwin,
Aylett Buckner.

SPEECH.

Mr. Speaker—

I cannot permit this opportunity to pass, consistently with my duty to those whom I have the honor to represent on this floor, without expressing the opinions and views I entertain on the question now before the House—one, as I believe, deeply affecting the immediate pecuniary interests of this Commonwealth, the active industry of its citizens, and ultimately the credit and good faith of the State. I therefore claim, Mr. Speaker, the patient attention of the House (and I will promise not to detain them,) whilst I assign some of the reasons which will influence me to vote against the passage of this bill.

Before I proceed to discuss this proposition, I will remark that some comparisons have been attempted to be drawn by the friends of this bill between the condition of the country as to its pecuniary embarrassments, and the condition of our Banking institutions at the time the old Commonwealth's Bank was established, and the condition of the country and of its Banking institutions at this time, and urge them as reasons for the adoption of this measure.

Mr. Speaker, I think the attempt at a comparison has entirely failed. What, sir, was the condition of the country then, and what its condition now? I was then, as I am now, actively engaged in business pursuits, and will speak from my own knowledge and actual experience of its then condition, and the causes which led to the adoption of the old Commonwealth's Bank as a measure of relief. After the close of the war in 1815, immense importations of foreign goods were made into the country, and as a necessary consequence a heavy foreign and domestic debt was created; and in consequence of the expansion of the circulation by the old Bank of Kentucky and branches, an artificial value was imparted to lands and the products of industry in the country; this begat a spirit of speculation and extravagance, and resulted in the establishment in 1818 of 42 Independent Banks, all founded nominally on a specie basis, but actually on the circulation or issues of the Bank of Kentucky and branches. The fabric was piled up too high to stand—it fell—and the community was crushed beneath the ruins. The Bank of Kentucky suspended specie payments—the Independent Banks followed the example, and blew up; pay day had arrived, and thus a large debt, foreign and domestic, including that due to the Banks, was precipitated on the country for immediate liquidation—a heavy mass of suits followed, and the relief measures of that day, including that of a Bank of the Commonwealth, founded on the *credit* of the State, was the result of this state of things.

Now I ask you, and ask this House, if this state of things now exists? I say, sir, it does not. You have not now a heavy foreign debt due from this country for foreign or domestic goods—every one at all conversant with the business of the country, knows, that for the last two years the importation of all description of goods has been very small, scarcely commensurate with the actual wants of the country—at least not exceeding them. A spirit of economy has prevailed in the country, and but a small amount of debt has been contracted within that time. Our Banking institutions within the same period having become *perfectly satisfied* from a *sad experience*, of the error of loaning out large amounts of money, to be used for speculative purposes, either for purchasing lands or slaves, have been gradually but steadily returning to, and have attained the honest position of *specie payments*, and are now in a condition to sustain them under any and all circumstances.

You have not now sir, any Bank debt pressing on the country for liquidation; so far from it the reverse is the fact. I know sir, that the Banks during the last year, have been steadily but cautiously extending their business, and their reports to the Legislature at the present session show the fact conclusively, that they have extended their discounts to the citizens of this Commonwealth, within that period, near $300,000. I assert here in my place on this floor, without the fear of contradiction, that they have within the same time, stood fairly up to, and sustained the internal trade of the country represented by the discount of all notes believed or known to be good, founded on sales of property.

They have fully sustained all the foreign trade of the State, represented by the purchase of bills of exchange, *bona fide* drawn on shipments, or actual sales of the products of our agriculture or manufactures to our sister States; they have assisted your

drovers of stock, by furnishing them the means for carrying off to other markets the surplus productions of our State. And sir, they have done more—there are many now within the sound of my voice that know the fact, that they have loaned money within their counties to individuals to pay debts with.

The only debt now due that is at all pressing on the country, is a debt due to each other within our own State; and that sir, is within our own control if we use the proper means—I mean such of it as ever will be paid.

Invite out by proper means and suitable enactments, the idle capital which is now retired in the hands of individuals, and bring out the whole monied resources of your State by re-establishing confidence among your citizens in the stability and justice of your laws, and the work is at once accomplished. Mr. Speaker, it would operate as if by magic—the comparison therefore, between the condition of things in 1820 and 1843 will not do—there is to my mind no similarity, and therefore, as I conceive, no necessity for this extraordinary measure.

But, sir, admitting that the necessity does exist, will the measure proposed effect the end you have in view? Here again, Mr. Speaker, I must take issue with the friends of the bill—I cannot believe that it will afford any relief; on the contrary, will serve only to embarrass both debtor and creditor, paralyze the active business of your country, wither up your resources, destroy your sinking fund, and *ruin* the credit of your State. I will endeavor, if this House will indulge me, to prove these propositions.

By the universal consent of the civilized world, gold and silver alone is regarded as the standard by which the value of any commodity is measured or tested. This standard is the only one known to, and that is expressly recognized by the constitution and laws of the United States and of this State. Any circulation in the shape of Bank notes, not redeemable on demand in this standard, I cannot regard as a true and correct representative of value. I do not intend here, Mr. Speaker, to enter into a discussion of values or of currency, except so far as the practical effects of this bill (if passed into a law) would in my opinion be felt in the community. Does this bill propose, or rather sir, do its provisions lead any one in this House, or out of it, to expect, that the notes to be issued under its provisions as a circulation to represent value, in the exchanges of commodities in the country, will truly represent the standard of value, viz: gold and silver? I believe not sir, for I think all the friends of this bill concede the point, that this currency will not be redeemed on demand in gold and silver; and sir, if they have not directly and in so many words admitted that position, their implied opinions can be gathered from the 18th section of this bill which I will read to the House:

"Sec. 18. The sheriffs, and other collectors of the revenue tax and levies, shall, as near as practicable, collect from each individual two-thirds of the amount in notes on the Safety Fund Bank, and one-third on other Banks in this State; all the sheriffs shall pay into the Treasury one-third of the revenue to be paid by them, in notes on the Bank of Kentucky, Norhtern Bank, or Bank of Louisville, which sum shall be set apart and carried to the credit of the Sinking Fund, or so much thereof as may be necessary in aid of the other resources of the Sinking Fund, to pay the interest due on internal improvement bonds. All toll gatherers upon roads and rivers, Commissioners of the Jury Fund, public officers collecting fines and forfeitures, shall receive the bills of the Safety Fund Bank. All officers or creditors of the State, or several counties, who are entitled to draw their salaries or demands from the public Treasury, or county levy, shall receive the sums to which they are entitled, in the paper of the Bank hereby established."

Now, sir, from this section it will be perceived, that the sheriffs and other collectors of revenue in this Commonwealth, are required to collect one-third of the revenue tax and county levies in the circulation of existing Banks which are paying specie, and the remainder in the circulation of the contemplated Bank—and why sir? That section gives you the answer: "*To pay it into the Sinking Fund as a means of paying the interest on the internal improvement bonds.*" We all know, sir, that this interest as well as the principal of those bonds, if we preserve our *good faith* towards the holders, can be paid in nothing else but *gold and silver or their equivalent.* It is therefore an admission by the friends of this bill, that the contemplated issues of this Bank *will not and cannot be available at par in those payments*, or this provision would not have been inserted.

Then sir, I ask, and ask *emphatically*, of the friends of this bill, what is the standard of value which they set up, upon which is to be predicated this circulation? Sir, I will answer it for them—if you will examine Sec. 5, of this bill, you will find the answer also. By the provisions of that section, all dues to the State from a variety of sources, *payable in this* VERY CURRENCY, is made a part of the capital—a something which has no intrinsic value in itself, made a part of the capital of a Bank! This sir, is a new idea to me; but we learn something new as we grow older. There is another source sir, pointed out as a probable, or rather a possible means by which capital is to be derived to this Bank—it is from the stocks now held by the State in the present Banks.

provided they shall hereafter forfeit their charters by failing to redeem their issues in gold and silver. This, sir, promises something better, (and but very little better) if the contingency contemplated by this provision should arise; but, Mr. Speaker, I hope it will never again occur. And, sir, while on this part of the subject permit me to say, that I felt a pride whilst reading the letters received a few days since from the President and Directors of our Banks, worthy of our proud State, announcing to the country and the world their honest, fixed and unalterable determination to nail the flag of *specie payments* to the mast heads, and if their vessel should founder and perish in any future storm, they were resolved that their flag should go down with them.

Mr. Speaker, if they had come to that determination in 1837, I am well convinced that we would have avoided the present difficulties. But, sir, the main dependence of the friends of this bill for the capital of this Bank, "is *the credit of the State, predicated on the issue of* 3,000,000 *of bonds of this State, bearing an interest of* 5 *per centum per annum, payable semi-annually in the city of New York, redeemable at the pleasure of the Government within five years after the expiration of thirty years.*"

Here, sir, we have not only the capital; but here, sir, the friends of this bill furnish us with their *standard of value* by means of which *the value of this paper is to be ascertained.* Well, sir, what is it? Bonds of the State, worth in their best market 65 to 70 cents in the dollar, and now higher than they have been for the last two or three years, subject to daily and hourly fluctuations in value, and that value alone depending on the *faith and credit* which their holders may have in the stability of your legislation, and the *faith* they may have in your preserving the contracts of the State *inviolate.*

This, then, sir, is your *capital and the means provided in part for the redemption of* this paper. In the natural world it is known that a stream cannot rise higher than its fountain—in the money market "upon change" it is equally true, that a currency or circulation cannot be more valuable than the fund provided for its redemption. If this conclusion be true, it then follows necessarily, that if the bonds upon which this issue is predicated, and in which they are to be redeemed, are worth but 65 or 70 cents to the dollar, the currency can be no better.

This, then, sir, is the currency you provide to relieve the country from its embarrassments—and worth now 70 cents to the dollar. Gentlemen however argue and seem to take it for granted, that the value of the bonds are *now* permanent and cannot depreciate any more, but if any change should take place must advance in value. Illinois, Indiana, and others of our sister States once thought so. Mr. Speaker, when they thought they were in the tide of successful experiment: and sir, I put it to the consideration of this House, if we shall continue this *wild and reckless career* of issuing State bonds beyond our ability to redeem, if we are not likely to find ourselves very shortly in the same position—issue more bonds and your credit in *the market which regulates and fixes their value* will decline in more than an inverse ratio to the amount issued over and above your ability to redeem—they will decline in value, and the currency issued upon them will decline with them, and perhaps in a greater proportion.

If then, my position be true, and I honestly believe it is, will this currency pass in the community as a medium of exchanges of property? I think not sir.

The time has never been sir, in my day, and I believe it never did nor never can exist, when two currencies of unequal value can at one and the same time circulate in the same community as a medium of exchanges, unless by some compulsory process—one will drive out the other, and the better or the worse (as the case may be) will merely supersede and displace the other without increasing the quantity. I will illustrate this principle by examples familiar to every gentleman on this floor. At this very moment at Cincinnati, Louisville, and every point on the Ohio river, bordering on Ohio, Indiana, and Illinois, and on the southern boundary line of the State bordering on Tennessee, the currency of other States which are received at all as a medium for the payments in the ordinary business of the community, and but little under par, has superseded and displaced *Kentucky Bank notes*, which are considered of more value. And why is it so? On the same principle that any individual having a $10 Kentucky Bank note and a $10 Indiana Bank note, and had to make a payment of $10, would offer in payment the one of least value first; but, sir, when a currency is so much depreciated that it will not circulate in the ordinary transactions of business, then the reverse of the proposition is true, and the better will drive out and displace the worse currency. Witness, sir, the case of the Illinois and Tennessee money about a year ago in your own State—but. sir, I will give you an example of the truth of my proposition nearer home: last winter the Legislature of Kentucky, to pay off contract-

ors on your public works, directed to be issued, and there has been actually issued on *the faith and credit* of your State, about $470,000 in State bonds, bearing *an interest of six per centum per annum*, (and by the bye, your notes will bear no interest) *in denominations of one to six dollars each*, worth in the market 70 to 80 cents in the dollar, redeemable *in six years in gold and silver*. Has the *faith and credit of the State*, high as we ought to regard it, and high as I think it deserves to stand, been able when this *currency bearing* 6 *per centum per annum* interest has been brought into contact with the standard of value in gold and silver, been able to maintain its position as a circulating medium? No sir, it has not; and no one in this whole community can say it has; it has been a commodity bought and sold in the market like every other commodity, at its market value. Is the currency you propose any better? No sir, not so good. Why sir? Because one pays certainly six per centum interest to the holder, and the other can in no contingency pay more than five, the bonds in which they are to be redeemed bearing but that interest.

If then my position be a correct one, the paper you propose to issue cannot circulate as money—but even admitting that it should, I consider the result equally disastrous; and why sir? Because the effect of its circulation as I before remarked, would be to drive in the circulation of the present Banks, amounting to nearly $3,000,000. for the specie, and to supply its place with a currency worth only 70 cents (or the value of the Bonds) in the dollar. By this operation you would drive in $2,800,000 of money now equal to gold and silver and supply its place with $3,000,000 of irredeemable paper money, which at seventy cents in the dollar, would be worth only $2,100,000. This, Mr. Speaker, I would consider a hard bargain; besides sir, if this currency should succeed in becoming the circulating medium, it would have the effect experienced during the existence of the old Bank of the Commonwealth, of reducing the wages of labor and the price of agricultural productions to the standard thus forced on the country; the depreciation of every currency has to be met in some way and labor has always to sustain it.

During the existence of the old Commonwealth Bank, no specie paying banks existed in the State, except the branches of the United States Bank, and I now here state that they had no circulation common to business transactions until the paper of the Bank of the Commonwealth had approximated the specie standard—but was an article or commodity purchased and sold in the market, nor was there any specie in circulation—it was banished from the land. The capital of the branches of the United States Bank had originally been made up of depreciated bank paper of other States, received previous to 1817 by the General Government, brought to Kentucky, and loaned out to its citizens, and had, in 1821, little or no circulation of their own. Indeed, sir, it was not until about 1825 or 1826 that they began to do much business on their own circulation.

If, Mr. Speaker, this currency will not pass in the ordinary transactions of business, who will borrow it? None I would think, but those who could not borrow money worth par. Will any man borrow it, who has credit to borrow good money at 6 per cent. from the other banks? I would think not sir.

I would take leave here, Mr. Speaker, to state, that the debts due to the old Bank of Kentucky, when the Commonwealth's Bank was chartered, amounted to between 2 and 3 millions of dollars, and by legislative enactment, that Bank was required to take its paper in payment of its debts, when worth about 50 cents to the dollar—thus equalizing their value—and thus the widows and orphans of Kentucky, who were the owners of half of the stock of that Bank were *relieved* of one half of the property invested by their husbands and fathers, in that institution, for their benefit, when they should be placed under the sod.

The Endorsment Laws were also passed, requiring creditors to endorse to take that paper in payment of their demands, or wait two years for their money. Needy and poor creditors, the bread and clothing for whose families perhaps depended on their receiving their money, were often compelled to submit to the necessity of receiving one half of their demand rather than see them suffer: many a poor man of business was driven to the wall, and compelled to receive one half of his debt, rather than have his credit destroyed, for not meeting his foreign engagements in gold and silver—his credit, sir, was often his capital in trade. I was one of that unfortunate number, and this was the justice and the relief administered in those days.

In this manner, Mr. Speaker, the paper of that Bank being received also by the State for taxes, and paid out for salaries and other disbursements of the Government, was then *forced* into circulation. I now predict, sir, that you will have to resort to the same means, if you ever succeed in forcing the circulation of the paper of this institution.

Should this be done, another contest as bitter and unrelenting as that experienced in 1823, 4, and 5. between two co-ordinate departments of this Government may be again looked for, and this Republic shaken to its very centre. No government can exist long in the affections of the people, where the personal rights of its citizens are disregarded, and the rights of property are violated or insecure—a system of legislation, therefore, which in effect, favors one individual at the expense of another, or by which a depreciated paper is created, which creditors are forced to receive, thus levying an indirect tax on creditors for the direct benefit of debtors, and reducing in value their debts to the extent of such depreciation, is calculated to weaken the attachment of the citizen to his government. I believe, Mr. Speaker, that this whole system of measures, are unjust and impolitic.

Mr. Speaker, it is a fact known and admitted by all, that the banking institutions of the United States, have been compelled within the last two years, greatly to curtail their circulation, to sustain specie payments. Our institutions have been compelled to do the same—even during the last session of the Legislature, they were abused and reproached on this floor, for their over issues of *rag money*, and the demand was "compel the banks to resume specie payments." In order to meet the expectations and wishes of the country, they have resumed—and to maintain their position were compelled still further to reduce their circulation; but, Mr. Speaker, did they do so by calling on the debtors of the banks? No sir, they did not. On the contrary, they loaned out an additional sum of about $300,000 to your citizens, to aid them in their business, and curtailed their issues by a sale of their exchanges on the East—and still sir they are abused and vilified. So far as I am advised, they have fully and faithfully discharged their duty to the country, under all the circumstances in which they were placed. They have in many instances gone too far, and have kept in circulation a larger amount of money in proportion, than the banking institutions of the States, to which our horses, mules, &c. are taken for a market, and to this cause alone may be ascribed the embarrassment and in numerous instances the failure of a respectable, industrious and enterprising class of our fellow-citizens, engaged in driving the stock of our country—a violation of that principle in banking of "*issuing more circulation than that demanded by actual business*," has thus recoiled upon, and ruined many of them. When circulation is forced beyond that point, the process of depreciation commences, and if it does not operate to a suspension of specie payments, yet it will exhibit itself in establishing an advance in the price of property—for a depreciation in the value of money and an appreciation of the prices of property are convertible terms, and convey the same ideas. Now, sir, if those opinions be correct, what does this bill propose to do? It proposes to create and establish a still wider difference in the prices of the same property in this State, and the States to which we resort for a market, and must have the effect of so much enhancing the nominal prices of that description of property in this State, as to amount to a prohibition of its exportation, without sustaining a still greater loss than that now experienced, and must ultimately compel its abandonment.

The present institutions of the State have informed your committee that they are prepared and are willing to loan an additional million to the country, in regular installments extending to two years. They have made this proposition in answer to the enquiries of the committee and they have done it in good faith. You have the written pledge of men, whose honorable and punctilious observance of good faith, no one in this House can question for the fulfillment of this pledge. Besides, sir, this Legislature in times of difficulty and trial to which those institutions have for the last few years been exposed, has shown great liberality and forbearance. I believe, sir, that I can truly say, that those institutions feel fully the extent of the obligation they are under; and are disposed to show their sense of the favors they have received, by aiding in extricating the citizens of the State from their difficulties, as far as their means will allow, consistently with their determination to maintain payments in specie. They are now, or will be shortly, in the receipt of considerable sums (the proceeds of their bills on the South, which it was impossible for them to realize at an earlier day, and could not consequently use for that or any other purpose) which will enable them to expand their circulation to the proposed amount without endangering their position. I know their disposition to do so, and hope to contrbuite my aid in effecting this desirable object. The Directors of those institutions are generally men engaged in business, and are deeply interested in its revival and a restoration of confidence. You have, therefore, the strongest guarantee, *self-interest*, that they will carry this proposal into effect. Banking institutions live by loaning out money, and the more they loan, the more money they make. You

may take my word for it, sir, that they will circulate just as much currency as they can readily redeem. The fear is, that they will circulate more.

Then, sir, take the propositions on both sides, the bill under consideration, and the bills reported by the committee on Banks: by the former you are offered a circulation of $3,000,000, of a currency which its best friends admit must be depreciated; by the latter you are offered $4,000,000, in a currency redeemable on demand in gold and silver—which will you choose? Can there be a possible doubt as to the result of your choice? I trust not sir.

Mr. Speaker, I feel that I have trespassed on the patience of the House, but must ask their indulgence for a short time.

I will ask you, sir, and this House, if they do not see close ahead of them, strong evidences of a revival of business, and a return of prosperity. I think I cannot be deceived in the signs of the times, and that those results are nearer at hand than we are aware of—and among those evidences I would suggest—

1. The large amount of specie arriving in the United States from foreign countries for the purchase of our cotton, tobacco, flour, pork, &c., and for investment in foreign exchange, drawn on the sale and shipment of our produce. It is estimated that since the first day of September, not less than $5,000,000 has been received in New Orleans alone, and arriving daily. The two last steamers from England, are estimated to have imported not less than $1,500,000, and the total amount received since the period named, cannot be less than 10 to $12,000,000—a large amount of this money must come to the west in return for their rich and abundant productions, and from 1 to $1,500,000 will be realized by the existing banks, for the proceeds of the bills of exchange held by them, drawn against the shipments, and sales of produce, thus adding a large metallic capital, on which they will be enabled to expand their circulation to an amount necessary to meet all the demands of business, and to give great aid otherwise to the country.

2. In the decline of the rate of interest in Europe and in the principal cities of the United States. By recent advices from Great Britain, we are informed that owing to the large amount of money seeking safe investments, the rate of interest has receded to the low price of one per cent. per annum; and we are also informed that in most of the eastern cities, whose interests are nearly connected by trade with Europe, money can be obtained readily on good securities at the rate of five per cent. per annum.

To this cause mainly, and particularly to the credit attached to our 30 year 6 per cent. State bonds, arising from the confidence of capitalists at the east, in the integrity and good faith of Kentucky in the regular payment of the interest, and the repeated expression of a firm determination of the constituted authorities of this State, to pay the principal when due, may be attributed the advance of those bonds recently in those cities. I trust, sir, we shall do nothing to weaken that confidence; but I greatly fear, that some of the measures denominated relief measures, if passed, will have that effect —and particularly this one—by impairing confidence in our ability, promptly to meet all our engagements.

3. The evidence of a revival of business, and a relief from our embarrassments, I think is clearly indicated by the state of exchanges existing at the present time; for exchanges in the United States may be said to be nearly at par.

Money can now be transferred from one portion of the United States to the extreme part of the other for ½ to 1 per cent., a sum barely sufficient to pay the freight for its transportation and the insurance. How long this state of things may continue remains to be seen.

From these facts, Mr. Speaker, I have come to the conclusion, that the balance of trade with the world, is setting in, in favor of the United States; or in other words, that as a nation we are the creditor, as it regards exports and imports; that our income is greater than our expenditure, and that Kentucky occupies the same position in regard to the other States of the Union, as relates to trade, that the United States sustain towards the balance of the world.

I know, Mr. Speaker, that the House must have become fatigued with the remarks I have already made. I could have said much more, and could scarcely have said less than I have, to have explained the views I entertain on this subject. If they have no weight with the House in their decision of this question, I can assure you that I am fully convinced of the truth of every position I have assumed. I thank you, sir, and the House, for your polite attention.